

**Financial Plan for City Operating Funds
and
Public Works Reserve Fund**

Each year the City Council begins their process for preparation of the next year's budget with a review of the financial policies to determine whether they need to be adjusted. The Financial Plan and Capital Improvement Program is the next step in the annual budget process. Once the Financial Plan is adopted it provides direction to staff on what should be included in the next year's budget. The budget is then submitted to the Council in October. The Capital Improvement Program which is adopted as part of the Financial Plan becomes the city's adopted six year Capital Improvement Program.

The Financial Plan assesses the revenue and expenditures needed to support the general operations of the city and maintenance of city assets such as streets and surface water systems. It also determines what funding is likely to be available to fund the Capital Improvement Program. The five funds considered in this section consist of the following four operating funds and one reserve fund:

General Fund	2-2
Street & Arterial Street Funds	2-10
Surface Water Management Fund	2-16
Public Works Reserve Fund	2-20

General Fund Financial Plan Fund Description, Significant Issues and Other Assumptions

Fund Description

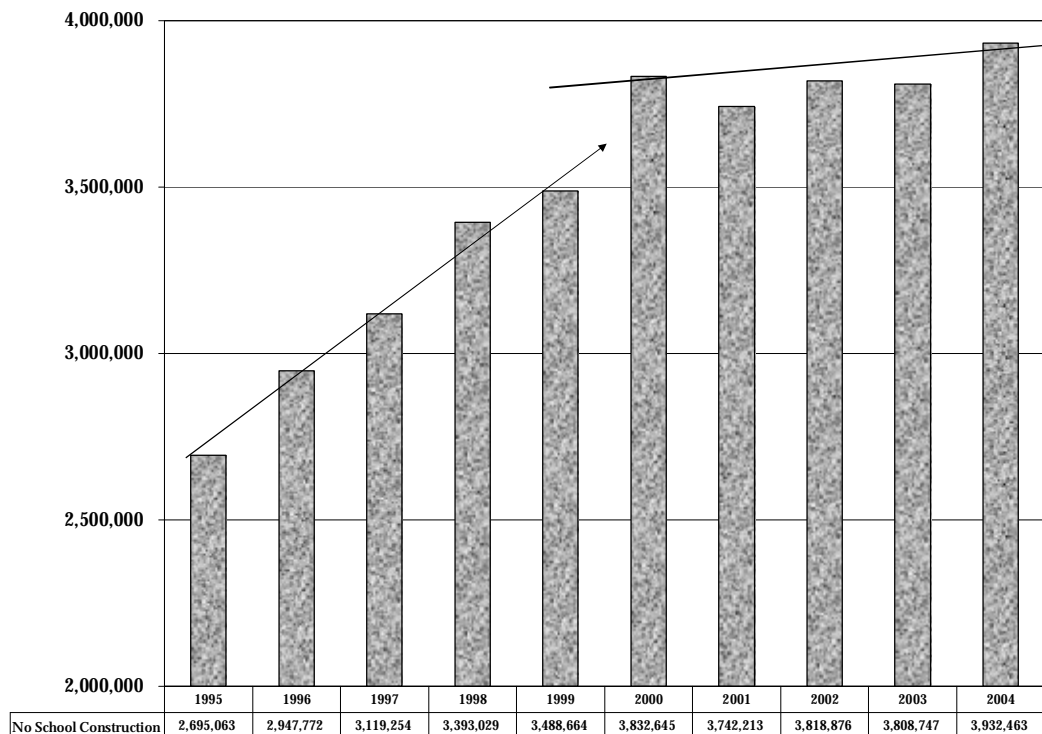
The General Fund supports the general operations of City government. These include administration, the legislative function, legal services, public safety, planning and community development, enforcement of local codes, parks, recreation, and cultural activities. Taxes are the principal source of revenue for the General Fund: property tax, sales tax, utility tax, and gambling tax. Other important sources are grants, shared revenue from other governments, licenses and permits, charges for service, and fines and forfeitures. The General Fund accounts for all City resources except those for which a specific fund has been created.

The 2006 to 2011 General Fund Financial Plan maintains existing service levels in 2006 and beyond. Revenues are relatively stable and expenditures increase at approximately 6% per year. The expenditure increase is driven predominantly by an estimated inflation factor of 4.5% and an estimated growth in Police, Courts and Jail of 6% per year. The City's operating position is positive for the first two years of the forecast. The forecast indicates that it may be necessary in 2008 and beyond for the Council to implement its financial policy of moving the garbage utility tax out of the Street Fund into the General Fund.

Summary of Key Points

Revenue forecasts for 2006-2011 are based on the assumption that economic growth will continue.

Sales Tax Below is a table of sales tax revenue over the past ten years.



The graph on the previous page clearly shows how sales tax growth has slowed in the last five years compared to the prior five years.

The above graph excludes sales tax on construction of new schools in the years 2003 and 2004. Per Council policy, these “one time only” funds were transferred into the Public Works Reserve Fund to pay for capital projects.

Burien’s financial plan assumes a 3.5% growth in sales tax revenue for each year of the forecast.

Property Tax: The estimate for property tax growth is 1% per year plus new construction. For the years 2004 through 2009 additional property tax levy capacity is used to pay for a new Senior and Community Activity Center.

Gambling Tax: Gambling tax revenue has declined steadily for the last four years. It was at a high in 2000 of \$808,000. By 2004 it had dropped to \$696,000. This decline is assumed to continue but at a reduced rate of 1.5% per year.

Building Permit Fee Revenue: The 2003 revenue was unusually high due to the construction of new schools by the Highline School District. The 2004 permitting revenue is expected to grow at 3.5% per year.

Other Assumptions

Inflationary Cost Increases: The forecast assumes a 4.5% rate of inflation. Salaries and benefits are assumed to increase by 8% per year beginning in 2007

Parks Maintenance: New or expanded maintenance at existing parks is scheduled into the parks maintenance line item along with inflation every year for the next six years.

	2006	2007	2008	2009	2010	2011
Town Square	-	-	125,706	129,477	133,361	137,362
Dottie Harper	-	-	2,239	2,306	2,375	2,446
Mathison/Carver	5,225	5,434	5,624	5,793	5,967	6,146
North Ambaum	15,675	16,302	16,873	17,379	17,900	18,437
Subtotal	20,900	21,736	150,442	154,955	159,603	164,392

Federal and State Lobbying: An increased lobbying effort for grant monies is anticipated in 2005 and beyond. Funding to support this effort has been increased from a budgeted amount of \$57,000 in 2004 to \$110,000 in 2005, to \$145,000 in 2006. This amount is carried forward each year through 2011. The return on our investment has been well rewarded by the amount of grant funding that we have received.

Court Services: Court filings have declined throughout King County District Courts. This reduces the revenue necessary to support the court system. The estimate for 2005 is a \$25,000 reduction. Another \$25,000 reduction in 2006 plus a court expenditure of \$50,000 are assumed for 2006 and \$100,000 for 2007 and beyond.

Increase Revenue Opportunities: The Council has asked staff to pursue the best method of acquiring more resources to support arts, human services and environmental funding. The forecast has a placeholder of \$60,000 included to cover this function.

Market adjustment for salary survey: The financial policies state: “The compensation of employees will be reviewed every three years.” We are still in the process of completing this review but have set aside \$25,000 to cover adjustments that may be required.

Management Information and Geographic System Maintenance and Enhancements: The forecast includes an additional \$50,000 to help the city make more information available to the public and allow people to process city business transactions on the city web site. In addition we are continuing to bring our base mapping up to a more useable standard.

Staffing: An additional 16 hours of clerical support has been added to assist in improving the quality of the city’s agenda packets, and to contribute to the success of our intergovernmental work.

Senior Center Lease with Highline School District: Earlier in 2005, the City signed a lease agreement with the Highline School District for Rental of the existing Senior Center. This increases the Senior Center operating budget by \$15,000 in 2006.

Insurance: The City’s insurance costs are \$175,000 in 2005, only 6% above the 2004 amount of \$165,000. However, because these costs grew 29% between 2001 and 2002, 9% between 2002 and 2003 and 19% between 2003 and 2004, this forecast assumes a 15% growth in 2006.

Fund Balance: Financial policies direct that excess reserves be used for capital projects, equipment or other one-time expenditures. Projected ending General Fund balances that are over 5% of current year revenues are considered excess reserves for purposes of the forecast. The excess is shown as a transfer to capital projects. The estimated transfer is \$1.2 million in 2005 and \$30,000 in 2006. No excess fund balance is projected for subsequent years. If revenue shortages occur, good financial planning and prudent reserve policies will provide adequate time for corrective action. If revenues exceed current year estimates, funds may be available in subsequent years for transfer to the capital projects funds.



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